

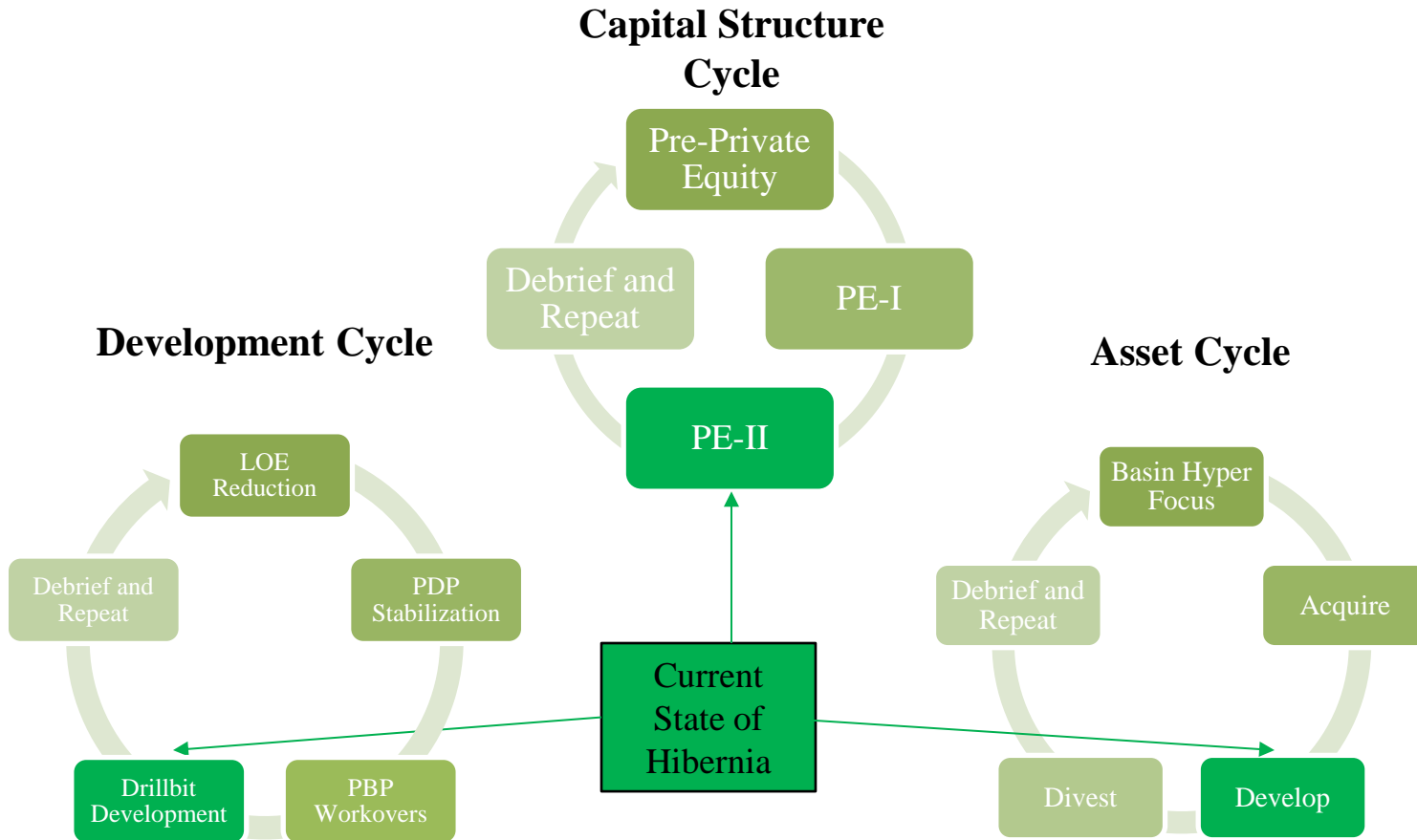


Lifecycles

IPAA Private Capital Conference

January 21, 2014

The Business Cycles



The Beginning

- Hibernia Resources, LLC was founded in September, 2007 by Embry Canterbury and Carl Carter
- Embry Canterbury-President, COO and Co-CEO
 - Petroleum Engineer with extensive experience in drilling, completions, production, acquisitions and divestments with career focus on stimulation driven assets
 - Prior Experience: Childhood, Texas A&M, Halliburton IS Program, Ro-Jo and North American Energy
- Carl Carter-CFO and Co-CEO
 - Extensive experience in in oil and gas acquisitions, divestitures, structured finance, valuation analysis
 - Prior Experience: University of Texas B.S, Thunderbird MBA, Enron, UBS Warburg and Founder/Owner of Southern Producer Services
- Common Themes and Visions
 - Shared common business and personal principals and the desire to pursue smaller and distressed (geographical/financial/technical) PDP assets passed over by larger operators – Upside HBP'd by PDP
 - Permian and Fort Worth Basins were made a priority due to past technical and financial experience

Building the Foundation

September 2007-2009

- Migrating towards the Permian
- Began with one industry partner wanting exposure to PDP with upside
- On Day 1, Hibernia began with operations on 20 wells in the Fort Worth Basin
- Focused majority of time and resources to the Permian Basin
- Screened over 100 acquisition candidates in the region
- Hyper focus on Martin County and compiled a list of 20 targets that fit our acquisition criteria

Building the Foundation

September 2007-2009

- **March 2008: Acquired operated properties in Central Martin County for \$3.7 million**
 - Consisted of 5 wells producing 40 net BOEPD and holding 480 acres
 - Hibernia held 25% Non-Op WI and bought out the operator who no longer had an interest in developing the assets any further
- **December 2008: Fort Worth Basin Divestiture – Lone Camp Assets, Palo Pinto County**
 - Assets had come full cycle and wanted to focus more on Permian oil assets
 - Scorecard (some of the development was done by management at prior companies)
 - Acquired in February 2006 for \$1.1 million and sold in December 2008 for \$2.0 million, generating a 53% IRR (102% unlevered)
- **Martin West I Acquisition, October 2009 – Acquired 87.5% operated WI on the Holt/Mabee Ranch for \$2.7 million**
 - Consisted of 10 wells producing 50 net BOEPD and holding 1,520 acres but came with burdens which team was able to work through (Technically/financially neglected; Title issues; Low NRI; Surface/Mineral owner disputes; Unfavorable Marketing Contracts)
 - This gave Hibernia a solid acreage position in the Northern Midland Basin surrounded by multiple bolt-on targets that had been pursued since 2007

Getting Ready for the Ride

Q4 2009-Q2 2010

- “Putting the band together”
 - Hired in-house operations engineer and a land/BD manager
 - Relocated longtime completion consultant to Midland
- Martin County Focus
- Optimization and stabilization of recently acquired PDP
 - Reduced LOE by 30%, increased production by 25% and reduced downtime by 25%
- PBP/PDNP Workovers—Majority Permian
- Bolt on acquisitions/title clean up
 - Closed on 20+ additional transactions consisting of WI and ORRI
- Bolstered surface and mineral owner relations
- Performed grass roots geological study and mapping to prepare for drillbit development
- Industry Partner had +/- 80% WI and Hibernia held the balance in all assets
- Hibernia was positioned to embark on an Atokaberry Drilling Campaign

Private Equity Round I

Natural Gas Partners

- August 2010: Closed on a \$50MM commitment with NGP Fund IX with Canterbury and Carter contributing \$3.0mm of producing assets located in Martin and Palo Pinto Counties
 - Original Board consisted of Chris Carter (NGP), Christopher Ray (NGP) Carl Carter, Embry Canterbury and Steve Gray (outside director)
 - Current Board consists of Tomas Ackerman (NGP), Daniel Goodman (NGP), Jesse Bomar (NGP) and Carl Carter and Embry Canterbury
 - Issued generous incentive unit package to key employees giving them skin in the game to further align all interests
 - December 2010: Bought out industry partner and now controlled 100% of the WI in all our assets—major step in the business plan
- Acquisition Campaign: 2010-2012
 - Q1 to Q2-2011: Overriding Royalty Interest Consolidation & Deep/Shallow Allocations plus added additional deep rights and ground floor leases to the core asset base
 - January 2012-University 14-7: added 320 acres in a distressed deal +/- 3 miles from our Holt assets
 - March 2012: Acquire 19.125% non-op WI in PDP and acreage surrounding our core Holt & Mabee acreage. We had pursued this asset since 2007 and only way in was via the acquisition of the non-op WI. *More on this later.....*

Private Equity-Round I

- **Development Campaign: 2010-2012**
 - Differentiated ourselves apart from offset operators in many ways but single most important factor was an aggressive completion program focusing on Atoka Detrital to Leonard leaving Jo Mill to Clearfork behind pipe—*Atokaberry*
 - December 2010 to May 2012
 - Drilled and completed 11 new wells
 - Performed additional behind pipe workovers
 - Installed major infrastructure to deal with sourcing water in record drought
 - Had planned to go to market with assets in Q3-2012 but began negotiations with a preemptive party in late February 2012
 - May 2012: Sold all assets in Hibernia except the March 2012 bolt on
- **Cycle Highlights of Private Equity I:**
 - **Deployed \$22 million in equity and \$24 million in debt**
 - **Sold assets for \$122 million**
 - Paid off all bank debt, made distribution to all primary equity and incentive unit holders. Held back cash to develop the assets withheld from sale

Back to March 2012 Bolt On 5,373 acres – Martin County, Texas

- Q1-2012: Hibernia was buying and selling assets on the same ranch in Martin County at the same time; Much by design but much by luck and perseverance.
 - The deal focused around a 19.125% non-operated WI in 27 PDP wells and 4,930 acres, all situated in and around assets that Hibernia had been developing for 2.5 years (sold that May-2012). The other 80.875% WI was owned and operated by an entity in distress since 2006.
 - The acquisition also included 100% WI in 1 PDP well and 443 acres adjacent to assets Hibernia had been developing for 2.5 years (sold in May 2012)
 - In May 2012, the 80.875% WI went in to bankruptcy
- May 2013: Acquired the 81.875% WI in the Holt/Mabee assets post Bankruptcy
 - Re-capitalized Hibernia Energy I into Hibernia Energy IA
 - Management rolled 100% of remaining Hibernia I ownership/proceeds into Hibernia IA
 - New Term Sheet and Incentive Unit Packages
 - Acquisition was funded from existing cash, bank debt and NGP Fund IX
- “Putting the Band Back Together”
 - Add key personnel to the team and issued all aggressive incentive unit packages

Private Equity Round II

Bigger, Better & Faster

- May 2013 – Present: Execute Business Plan
 - Immediately commenced development:
 - Completion of wells that has been drilled and cased during the bankruptcy; major PDP stabilization; downhole upgrades and LOE reduction campaign
 - Continue with bolt-on plan by adding acreage and deep rights
- Began transition from vertical only to vertical + horizontal company
 - Undertook massive infrastructure buildup
 - Water Sourcing
 - Water Disposal
 - Battery Consolidation/Upgrades
 - Constructed 5 interconnected frac ponds capable of storing 1,000,000 barrels of fresh water
 - Commenced drilling in late June 2013
 - Added second rig in October 2013
 - Spudded first horizontal Wolfcamp B well in November 2013 and fraced in early January 2014
 - Will continue to run one vertical Atokaberry rig and one horizontal rig that will ultimately test four benches.

Summary

- It's a Capital Intensive Business—you need a solid financial partner
- Treat your capital providers like partners
- Treat your mineral and surface owners like partners
- Your plan can be cycled in all commodity price environments
- Get hands dirty—know your assets and know the field personnel that executes your development plan
- Lowest bid is not the best bid
- Call audibles as needed but stick to your playbook
- No does not necessarily mean NO!